

## Message Text

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44

ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 DODE-00

DOT-00 FMC-01 CG-00 OFA-01 DLOS-03 CAB-02 FAA-00

PA-01 PRS-01 /078 W

----- 003172

P R 311015Z MAY 75

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC PRIORITY 4575

INFO AMEMBASSY AMMAN

ATHENS 5190

AMEMBASSY BONN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

USEC BRUSSELS 841

USOECN PARIS

UNIT BAGHDAD (POUCH)

AMEMBASSY DOHA

AMEMBASSY ABU DHABI

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E.O. 11652: N/A

TAGS: ECRP, EGEN, LE

SUBJECT: LEBANON: ECONOMIC SIT-REP-- APRIL- MAY DIS-  
TURBANCES

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REF: CERP 0003; BEIRUT A-77

SUMMARY: INITIAL TENTATIVE ESTIMATE IS THE APRIL-MAY DISTURBANCES WILL REDUCE POTENTIAL GNP BY 2 PER CENT, WITH TOURISM WORST HIT. ASSUMING NO FURTHER SERIOUS PROBLEMS THIS YEAR, ECONOMY OVERALL SHOULD STILL SHOW SOME REAL GROWTH, PRIMARILY DUE REGION'S BUOYANT CONDITIONS. PATTERN SO FAR VERY SIMILAR TO THAT OF 1973, WHICH RECORDED VIRTUALLY NO REAL GROWTH, BUT MOST OF DAMAGE THEN DUE TO CLOSURE OF SYRIAN BORDER, WHICH HAS REMAINED OPEN THIS YEAR. AT PRESENT, TOURISM, PORT AND MILS IN POOR SHAPE. END SUMMARY.

1. AFTER BEING ALMOST FULLY IMMOBILIZED FOR ONE FULL WEEK, ECONOMIC ACTIVITY IN BEIRUT AND SURROUNDINGS BEGAN RETURN TO NORMAL MAY 30. BASIS PAST EXPERIENCE, APPROXIMATE NORMALITY WILL REQUIRE WEEK OR TWO FOR MOST ACTIVITY AND ADDITIONAL WEEK FOR NIGHT-TIME ENTERTAINMENT INDUSTRY.

2. LOSSES NOT MEASURABLE, NOW OR LATER, BUT OUR STANDARD FORMULA IS THAT HALF OF LOST PRODUCTION GOODS AND SERVICES (GROSS NATIONAL PRODUCT OR GNP) CANNOT BE MADE UP. APRIL AND MAY FIGHTING HALTED PRODUCTION TWO FULL WEEKS IN BEIRUT AND AREA. THEREFORE, ASSUMING NO FURTHER INTERNAL OR EXTERNAL DISTURBANCES (ADMITTEDLY A LARGE ASSUMPTION) THIS YEAR, 1975 GNP AS RESULT THESE DISTURBANCES COST ONE WEEK'S PRODUCTION OR TWO PERCENT OF POTENTIAL GNP. ASSUMING GNP WOULD HAVE GAINED 15 PERCENT AGAIN THIS YEAR, TO LL9.703 BILLION, IT WOULD BE LL200 MILLION LOWER DUE DISTURBANCES.

3. CHIEF SHORT-TERM LOSER IS THE LITTLE MAN, DAILY-PAID WORKER AND SMALL SHOP-KEEPER, WHO LOST MOST OF TWO WEEKS INCOME AND CANNOT MAKE IT UP. WHILE THEY ACCUSTOMED SUCH LOSSES, THIS DOES NOT CONTRIBUTE TO GENERAL PROSPERITY OR POLITICAL STABILITY.

4. CHIEF LONG-TERM LOSER LIKELY BE IMPORTANT TOURIST INDUSTRY, ECONOMY'S BELLWETHER, ALTHOUGH LOSS MAY NOT REACH LIMITED OFFICIAL USE

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15 PERCENT ONE-YEAR PLUNGE RECORDED IN 1973, SINCE MUCH OF THAT DUE 101-DAY SYRIAN BORDER CLOSURE. BEST INITIAL GUESS IS THAT TOURISM WILL SHOW AT LEAST NO RPT NO GROWTH FOR YEAR. INTERESTINGLY ENOUGH, APRIL FIGHTING CAUSED ONLY SHORT-LIVED AND MINOR DECLINE TOURISM, ACCORDING TOURIST COUNCIL, BUT THAT WAS CASE AFTER ISRAELI RAID APRIL 1973. MAY FIGHTING THAT YEAR AND BORDER CLOSING UNTIL AUGUST RUINED HIGH SEASON.

5. FOR SHORT-TERM, COMMERCE MAY BE IN CHAOS. IN A SENTENCE (ELABORATED BELOW), MOST RECENT FIGHTING PRODUCED RECORD PORT BACKLOG, MERCHANTS NOT RPT NOT WITHDRAWING GOODS PARTLY BECAUSE POST OFFICE INOPERATIVE FOR FULL WEEK, DELAYING SHIPPING DOCUMENTS. SECTORAL SITUATIONS FOLLOW.

6. PORT: CONGESTION PROBABLY HAS REACHED ALL-TIME RECORD. BY OFFICIAL COUNT FOR MAY 28, 134 SHIPS ANCHORED IN OR OUTSIDE HARBOR AND 33 MORE REGISTERED TO JOIN QUEUE, FOR GRAND TOTAL OF 167 SHIPS TO BE UNLOADED. DOCKSIDE CAPACITY IS 27 SHIPS. CONGESTION ONLY PARTLY RESULT OF MAY FIGHTING, AS PORT HAD NOT RPT NOT RECOVERED FROM APRIL FIGHTING AND SEVERAL HOLIDAYS IN BETWEEN. SUEZ CANAL CANNOT OPEN TOO SOON BUT NOT RPT NOT EXPECTED RELIEVE SITUATION MUCH.

7. CIVAIR: AIRPORT REMAINED OPEN THOUGHOUT AND USUALLY ACCESSIBLE. PLANE TRAFFIC REMAINED NEAR NORMAL. WEEK-LONG AIRPORT FUEL EMERGENCY DUE LOW SUPPLIES AT AIRPORT LIFTED MORNING MAY 30, WITH FUEL SUPPLIES REPLENISHED (BUT MAXIMUM IS ONLY TWO AND ONE-HALF DAY SUPPLY). TWT-WEEK BACKLOG OF AIR CARGO EXISTS. PANAM KEEPING CREWS ISTANBUL UNTIL AFTER NEW CABINET INSTALLED AND FIVE PEACEFUL DAYS RECORDED HERE.

8. TOURISM: DIFFICULT ASSESS DUE PRESENCE THIS WEEK IN HOTELS OF REFUGEES FROM DISTURBED AREAS. ROUGH GUESS IS HAT AIRLINE PASSENGER ARRIVALS NOW 50 PERCENT BELOW NORMAL, ONLY INDICATOR AVAILABLE FOR CURRENT TOURISM LEVEL. NIGHTLIFE EXTINGUISHED THIS WEEK AND WILL TAKE LONGEST TO RECOVER.

9. FINANCE: BANKS REOPENED MAY 30 TO SLOW BUSINESS WITH TALK OF MILD PRESSURE ON POUND DUE DEISRE SOME CHRISTIANS TRANSFER FUNDS ELSEWHERE. AFTER PAST DISTURBANCES LEBANESE POUND HAS CONTINUED STRONG. OUR ESTIMATE IS THAT ANY PERSONAL TRANSFERS LIMITED OFFICIAL USE

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OF SAVINGS HAVE BEEN OFFSET BY CAPITAL INFLOWS.

10. MAIL: BADLY BACKLOGGED BEFORE DISTURBANCES DUE LETTER-BOMB SCARE, MAIL SITUATION CONSIDERABLY WORSE DUE ABSENCE POSTAL STAFF PAST WEEK. FIRMS WHICH INSTITUTED PRIVATE MAIL COURIER SYSTEMS FOR INTERNATIONAL MAIL WILL CONTINUE THEM FOR SOME TIME. CARETAKER (MILITARY) PPT MINISTER HAS PUT OFFICER-CANDIDATES TO WORK SORTING MAIL. INTERNATIONAL TELEPHONE AND TELEGRAPH SERVICES RETURNING TO NORMAL AFTER BEING INOPERATIVE, AT LEAST FOR OUTGOING CALLS, PART OF THIS WEEK.

11. BEIRUT AS REGIONAL CENTER: NO RPT NO CONFIRMED CASES OF FOREIGN OR AMERICAN FIRMS LEAVING AS YET, ALTHOUGH SOME DEPENDENTS EVACUATED. JAPANESE DENIED RUMOR MANY FIRMS LEAVING. THERE STILL

A FEW AMERICANS IN TOWN INVESTIGATING BEIRUT AS REGIONAL OFFICE.  
IN 1973, ALTHOUGH SEVERAL FIRMS SPOKE OF LEAVING, NONE LEFT  
PERMANENTLY. THERE STILL NO GOOD ALTERNATIVE TO BEIRUT BUT  
DISTURBANCES MAY CAUSE POTENTIAL NEWCOMERS TO LOOK ELSEWHERE.

12. COMMENT: ABOVE PRELIMINARY ANALYSIS BASED ON ASSUMPTION  
CONDITIONS CURRENTLY REVERTING TO NORMAL--AN ASSUMPTION WHOSE  
VALIDITY ONLY EVENTS CAN PROVE.  
GODLEY

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